

## Sab Motors Private Limited

May 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	139.00 (Enhanced from 114.00)	CARE D	Revised from CARE BB; Stable

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE) has revised the ratings assigned to the bank facilities of Sab Motors Private Limited (SMPL) to CARE D. Facilities with this rating are in default or are expected to be in default soon. The revision in ratings on bank facilities of SMPL takes into account the instances of delays in servicing of debt obligations by the company.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Timely servicing of debt obligations for more than 90 days.

**Analytical approach:** Standalone.

**Outlook:** Not applicable.

### Detailed description of the key rating drivers

#### Key weaknesses

##### Instances of delays in servicing of debt obligations

As per bank statements received, SMPL has reported instances of delays in the repayment of tranches due in inventory funding account from September 2023 to March 2024. Moreover, there is instance of overutilization of limit in inventory funding account for a continuous period of more than 30 days in the month of October 2023. The instances of overutilization were largely on account of poor liquidity position of the company.

##### Low profitability margins

The profitability margins of the company improved though remain low as marked by the PBILDT and PAT margins of 3.12% and 0.52% respectively in FY24 (Provisional) as against to 2.08% and 0.47% respectively in FY23 (Audited). The improvement in margins is on account of lower discounts offered by the company to its customers and its focus on sale of spare parts which fetch better margins. Further, the company achieved a total operating income of Rs. 602.83 crore in FY24 (Provisional) vis-à-vis Rs. 599.00 crore in FY23 (Audited).

##### Leveraged capital structure and weak debt coverage indicators

As on March 31, 2024 (Provisional), the debt profile of the company comprises of term loans of Rs. 19.38 crore, unsecured loan from promoters and related parties of Rs. 27.46 crore and working capital borrowings of Rs.124.62 crore as against tangible net worth of Rs. 28.19 crore. The capital structure of the company remained leveraged as marked by overall gearing ratio of 6.08x on March 31, 2024 (Provisional) as against 6.21x on March 31, 2023 (Audited). The slight improvement was largely on account of increase in equity share capital of the company.

Due to low profitability margins and high debt levels, the debt coverage indicators of the company remained weak as marked by interest coverage ratio and total debt to gross cash accruals of 1.32x and 35.46x in FY24 (Provisional) as against 1.45x and 25.42x in FY23 (Audited).

##### Intense competition, regional concentration and linkage to fortunes of Tata Motors Limited

The company procures its products directly from its Original Equipment Manufacturer (OEM), i.e., Tata Motors Limited. Thus, the fortunes of the company are directly linked to its OEM which exposes the company's revenue growth and profitability to its OEM's future growth prospects. Any impact on business and financial profile of the OEM will also have an impact on the growth prospects of the company. Further, the operations of the company are geographically concentrated in the regions of Delhi NCR and Uttar Pradesh. Moreover, it faces an aggressive competition from various other established auto dealers of OEMs like Maruti Suzuki, Hyundai, Honda, Kia Corporation, etc. In order to capture market share, auto dealers have to offer better buying terms such as providing credit period or allowing discounts on purchases which create pressure on the margins and negatively impact their earning capacity.

### Key strengths

#### Experienced promoters and management team

SMPL is managed by Mr. Rama Kant Sharma (Director), who is a postgraduate by qualification and has an experience of around two decades in the auto-dealership and auto service business through his association with this company and other family businesses. Further, the company has a dedicated team of marketing and sales professionals, service in-charge and customer

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

relation officers, who have over one decade of experience in their respective fields, which strengthens the company's business risk profile.

**Liquidity:** Poor

SMPL has poor liquidity position as marked by instances of overutilization of limits and delays in repayment of tranches due in the inventory funding accounts.

**Environment, social, and governance (ESG) risks:** Not applicable.

**Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Auto Dealer](#)

[Service Sector Companies](#)

**About the company and industry**

**Industry classification**

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

Incorporated in the year 2009, SMPL is a Ghaziabad, Uttar Pradesh based company. It is an authorized dealer of Tata Motors Limited and deals exclusively in the sale of Tata's passenger cars and spare parts. The company is authorized to sell all models of Tata Motors Limited. Currently, SMPL is running 12 showrooms and 7 workshops in regions of Delhi NCR and Uttar Pradesh.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	599.00	602.83
PBILDT	12.44	18.81
PAT	2.84	3.15
Overall gearing (times)	6.21	6.08
Interest coverage (times)	1.45	1.32

A: Audited, Prov.: Provisional, Note: 'the above results are latest financial results available'.

**Status of non-cooperation with previous CRA:** Not Applicable.

**Any other information:** Not Applicable.

**Rating history for last three years:** Please refer Annexure-2.

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3.

**Complexity level of various instruments rated:** Annexure-4.

**Lender details:** Annexure-5.

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	81.50	CARE D
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	41.50	CARE D
Fund-based - LT-Proposed fund based limits		-	-	-	0.50	CARE D

Fund-based - LT-Term Loan		-	-	31/07/2030	15.50	CARE D
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**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Electronic Dealer Financing Scheme	LT	81.50	CARE D	-	1)CARE BB; Stable (02-Aug-23) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (03-Apr-23)	-	1)CARE BB; Stable (09-Mar-22)
2	Fund-based - LT-Electronic Dealer Financing Scheme	LT	41.50	CARE D	-	1)CARE BB; Stable (02-Aug-23) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (03-Apr-23)	-	1)CARE BB; Stable (09-Mar-22)
3	Fund-based - LT-Term Loan	LT	15.50	CARE D	-	1)CARE BB; Stable (02-Aug-23) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (03-Apr-23)	-	1)CARE BB; Stable (09-Mar-22)
4	Fund-based - LT-Proposed fund based limits	LT	0.50	CARE D	-	1)CARE BB; Stable (02-Aug-23)	-	-

\*Issuer did not cooperate; based on best available information.

LT: Long term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable.

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Electronic Dealer Financing Scheme	Simple
2	Fund-based - LT-Proposed fund based limits	Simple
3	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

### Contact us

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